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Citrus

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Approved by:

Ron Verdonk, Director
U.S. Agricultural Trade Office

Prepared by:

Sergio Barros, Agricultural Specialist

Report Highlights:

Sao Paulo's commercial area orange production for MY 2004/05 is projected at 368 million boxes (MBx), up 78 MBxs from the revised estimate for MY 2003/04, whereas total Brazilian production is forecast at 454 MBx. Total MY 2004/05 FCOJ production is projected at 1.322 mmt, 65 Brix, up 21 percent relative to the previous MY, due to the expected higher availability of fruit for processing. FCOJ exports for MY 2004/05 are forecast to remain stable at 1.252 mmt, 65 Brix.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Sao Paulo [BR3]
[BR]

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FRESH ORANGES

PS&D Table

Country Commodity	Brazil Oranges, Fresh						UOM
	2001	Revised	2002	Estimate	2003	Forecast	
Market Year Begin	USDA Official [Estimate [1/1A	Official [Estimate [1/1A	Official [Estimate [New]	MM/YYYY
	07/2002		07/2003		07/2004		
Area Planted	792900	792900	805400	805400	809400	832400	(HECTARE
Area Harvested	727200	727200	727900	727900	730900	733900	(HECTARE
Bearing Trees	210000	210000	210000	210000	211000	212000	(1000 TRE
Non-Bearing Trees	24000	24000	28000	28000	29000	36000	(1000 TRE
TOTAL No. Of Trees	234000	234000	238000	238000	240000	248000	(1000 TRE
Production	18360	18360	14974	15382	18360	18523	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	18360	18360	14974	15382	18360	18523	(1000 MT)
Exports	41	41	82	69	102	82	(1000 MT)
Fresh Dom. Consumption	4896	4896	5100	4827	5528	5222	(1000 MT)
Processing	13423	13423	9792	10486	12730	13219	(1000 MT)
TOTAL DISTRIBUTION	18360	18360	14974	15382	18360	18523	(1000 MT)

Production

PS&D Tables

The following tables provide revised data for Sao Paulo and total Brazilian fresh orange production, supply and demand (PS&D) for marketing years (MY) 2002/03, 2003/04 and MY 2004/05 (July-June).

Sao Paulo: Fresh Oranges PS&D (Jul-Jun)

(1,000 ha, million trees & million 40.8 kg boxes)

Item/Marketing Year	2002/03	2003/04	2004/05
(Bloom/Harvest)	(01/02)	(02/03)	(02/03)
Area Planted	600.0	609.0	636.0
Area Harvested	542.0	539.0	545.0
Bearing Trees	160.0	159.0	161.0
Non-Bearing Trees	20.0	24.0	32.0
Total Trees	180.0	183.0	193.0
Production	365.0	290.0	368.0
Exports	1.0	1.7	2.0
Domestic Consumption	45.0	44.3	55.0
Processing FCOJ	305.0	230.0	295.0
Processing NFC (exports)	14.0	14.0	16.0

Brazil: Fresh Oranges PS&D (Jul-Jun)

(1,000 ha, million trees & million 40.8 kg boxes)

Item/Marketing Year	2002/03	2003/04	2004/05
(Bloom/Harvest)	(01/02)	(02/03)	(02/03)
Area Planted	792.9	805.4	832.4
Sao Paulo	600.0	609.0	636.0
Others	192.9	196.4	196.4
Area Harvested	727.2	727.9	733.9
Sao Paulo	542.0	539.0	545.0
Others	185.2	188.9	188.9
Bearing Trees	210.0	210.0	212.0
Sao Paulo	160.0	159.0	161.0
Others	50.0	51.0	51.0
Non-Bearing Trees	24.0	28.0	36.0
Sao Paulo	20.0	24.0	32.0
Others	4.0	4.0	4.0
Total Trees	234.0	238.0	248.0
Total Production	450.0	377.0	454.0
Sao Paulo	365.0	290.0	368.0
Others	85.0	87.0	86.0
Exports	1.0	1.7	2.0
Sao Paulo	1.0	1.7	2.0
Domestic Consumption	120.0	118.3	128.0
Processing FCOJ	315.0	243.0	308.0
Sao Paulo	305.0	230.0	295.0
Others	10.0	13.0	13.0
Processing NFC (exports)	14.0	14.0	16.0

General

The Agricultural Trade Office (ATO)/Sao Paulo projects Brazil's orange crop for MY 2004/05 (Jul-Jun) at 454 million 40.8 kg boxes (Mbx), up 20 percent compared to the revised estimate for MY 2003/04 (377 Mbx). The commercial area of the state of Sao Paulo and the western part of Minas Gerais should produce 368 Mbx, up 27 percent from MY 2003/04 (290 MBx), whereas other growing regions should remain stable at 86 Mbx. Note that the orange production estimate in states other than Sao Paulo is taken from updated information from the Brazilian Geography and Statistics Institute (IBGE).

A good and extended second blossoming (4-5 weeks) occurred in November 2003 in the commercial area of Sao Paulo and Minas Gerais. The flowering was relatively uniform compared to the previous year and many groves showed blossoms in the inner part of the tree. Good weather conditions have supported excellent fruit setting and development. The steady and above average rainfall in the past couple of months has contributed to the growth of the fruit. The harvest season started at a slow pace for some processing companies, since the late flowering delayed the maturation of the fruits by 30-45 days.

Other factors having a positive impact on the expected orange crop in the Sao Paulo commercial area include: (1) the on-year of the biennial cycle of the Hamlin and Valencia varieties; (2) enhanced crop management including greater use of fertilizer, chemicals, etc. due to good orange prices received by producers in the past couple of years; and (3) the use of irrigation. According to a recent study published by the University of Sao Paulo/Program of Studies of the Agribusiness System (PENSA), it is estimated that approximately 10 percent of the Brazilian orange groves are irrigated.

The Sao Paulo State Institute of Agricultural Economics (IEA) released the results of the fourth orange crop survey (April 2004) for the 2003/04 crop (MY 2004/05). The Sao Paulo crop, including both commercial and non-commercial areas, is estimated at 345.5 MBx, up 18.5 Mbx compared to MY 2002/03 (327.1 Mbx). Note that IEA takes into account the entire state of Sao Paulo, while ATO estimates follow the citrus industry methodology limited to the commercial area of the state plus the western part of Minas Gerais. IEA also reports that the state of Sao Paulo orange tree inventory is estimated at 211.8 million trees (185.1 million bearing and 26.7 million non-bearing trees). Industry sources indicate that the Sao Paulo and Minas Gerais orange commercial areas could contribute 350 to 380 MBx for MY 2004/05.

On May 13, Conab launched a satellite crop monitoring system project named Geosafras. This project is intended to enhance crop production forecast methodology and is in partnership with CONAB and several universities and research centers, partially funded by the United Nations Development Program (UNDP). The project will support the formulation and implementation of agricultural and supply policies.

The system includes the use of geo-technologies (remote sensing), geoprocessing by satellite (GPS), statistical sampling models and agrometeorological models, among others. The project is expected to be concluded in 2006 and includes the following crops: coffee, sugarcane, corn and soybeans.

Citrus should also be included in the list of commodities surveyed by CONAB. According to the Brazilian Citrus Growers Association (Associtrus), the fieldwork will be conducted by Associtrus and Coopercitrus, a major growers cooperative. CONAB has not announced yet when the studies will begin.

Area, Tree Inventory and Yields

Higher yields are expected for MY 2004/05 as a consequence of good blossoming and stable weather conditions since November 2003. Post forecasts the orange yield in the Sao Paulo citrus belt at 2.29 boxes/tree, slightly above the previous projection, whereas the overall Brazilian orange yield is projected at 2.14 boxes/tree.

ATO/Sao Paulo projects total Brazilian orange area for MY 2004/05 at 832,400 hectares (ha), up 27,000 ha. from the previous crop, especially due to new plantings occurring in the Sao Paulo commercial area. Total Brazilian tree inventory for MY 2004/05 is projected at 248 million trees (212 million bearing and 36 million non-bearing trees), up 4 percent from MY 2003/04.

There are an estimated 32 million non-bearing trees in the commercial area of Sao Paulo, up 8 million from MY 2003/04. According to industry sources, large plantings have occurred in the southern part of the citrus belt, some of them replacing trees affected by diseases in the groves from the northern part of the state. The Sudden Death of Citrus (SDC) poses a

potential threat to the aforementioned region leading to a slow, but steady migration of the groves to the south.

The migration to the south is usually accompanied by technological changes and the changing of the rootstock. According to the Sao Paulo State Fund for the Defense of Citriculture (Fundecitrus), in December 2000, 75 percent of the rootstock planted was rangpurlime. By April 2004, only 25 percent of the rootstock used was rangpurlime, since this variety is susceptible to SDC. The table below compares the significant change in the varieties used for rootstock in the Sao Paulo and Minas Commercial area new groves due to SDC.

Citrus varieties used in the new groves of the São Paulo commercial belt

Variety	December 2000	%	April 2004	%
Rangpurlime	7,719,274	74.98%	3,347,638	25.45%
Tangerine Cleopatra	1,410,310	13.70%	3,320,853	25.25%
Citrumelo Swingle	623,490	6.06%	2,565,790	19.51%
Tangerine Sunki	117,000	1.14%	2,554,540	19.42%
Volkameriano	176,300	1.71%	509,444	3.87%
Poncitrus Trifoliata	238,085	2.31%	485,842	3.69%
Laranja Caipira			133,298	1.01%
Carrizo			96,706	0.74%
Cintranger Troyer			68,654	0.52%
Fly Dragon			56,198	0.43%
Other	10,124	0.10%	12,815	0.10%
Total	10,294,583		13,151,778	

Source: Fundecitrus

As reported by Fundecitrus, 561 inspected nurseries were in operation in May 2004. Protected nurseries (558), which maintain seedlings within screened enclosures represent virtually all nurseries inspected, in accordance with the Sao Paulo State law. The number of inspected seedlings amounted to 14,105,923 (only 150 seedlings coming from unprotected nurseries), whereas the number of inspected rootstock totaled 12,101,826 (only 191 from unprotected nurseries).

Diseases

The 2004 citrus canker sampling survey in the commercial area of the states of Sao Paulo and Minas Gerais indicates that 0.13 percent of the sampled blocks show citrus canker, compared to 0.083 and 0.20 percent for 2002 and 2003, respectively, as reported by the Defense Fund for Citriculture (Fundecitrus). The tables below show the evolution of citrus canker for 2003 and 2004 (January-April), according to Fundecitrus. Cumulative tree eradication from commercial groves in 2003 was 196,046 trees, up 95,794 trees compared to 2002. Cumulative eradication from commercial groves in 2004 (January-April) is 81,790, down 9,208 trees relative to the same period in 2003.

The figures aforementioned show that canker still represents a problem for citrus growers. However, the effective work of Fundecitrus and the Sao Paulo State Secretariat of Agriculture, which have been continuously monitoring the disease in both commercial and non-commercial groves, has significantly improved control and the eradication was much reduced compared to the 2000 outbreak.

Evolution of Citrus Canker in the State of Sao Paulo, 2003

Month	Block				Domestic Grove				New
	New	Recontamination	Total	Plants Eradicated	New	Recontamination	Total	Plants Eradicated	
January	6	6	12	11,872	34	5	39	2,024	0
February	16	10	26	31,570	94	13	107	4,047	0
March	13	23	36	28,492	15	1	16	4,116	0
April	27	22	49	19,064	25	4	29	1,731	0
May	27	23	50	31,288	28	8	36	13,228	0
June	10	23	33	4,949	171	13	184	2,703	0
July	17	15	32	3,533	196	25	221	4,898	0
August	20	18	38	20,910	264	9	273	2,134	0
September	13	12	25	8,312	120	12	132	6,579	0
October	21	7	28	14,124	112	19	131	7,834	0
November	6	4	10	19,384	310	31	341	3,544	0
December	10	9	19	2,548	261	10	271	5,642	0
Total	186	172	358	196,046	1,630	150	1,780	58,480	0

Source: Sao Paulo State Fund for Defense of Citriculture (FUNDECITRUS).

Evolution of Citrus Canker in the State of Sao Paulo, 2004

Month	Block				Domestic Grove				New
	New	Recontamination	Total	Plants Eradicated	New	Recontamination	Total	Plants Eradicated	
January	2	14	16	3,399	344	3	347	4,733	1
February	19	15	34	12,191	162	4	166	4,623	0
March	17	31	48	34,942	162	3	165	12,279	0
April	26	33	59	31,258	118	13	131	5,998	0
Total	64	93	157	81,790	786	23	809	27,633	1

Source: Sao Paulo State Fund for Defense of Citriculture (FUNDECITRUS).

Fundecitrus has conducted 2 surveys to evaluate the impact of Sudden Death of Citrus (SDC) in the States of Sao Paulo and Minas Gerais. The first survey occurred during June-September 2002 in the western part of the state of Minas Gerais and in the state of Sao Paulo. The results show that the new disease affected 7 counties in Minas Gerais and 5 in Sao Paulo and that 327,575 trees showed SDC symptoms. The second survey occurred during September-December 2003 and covered only the state of Sao Paulo, since the Minas Gerais Agriculture and Livestock Institute (IMA) was responsible for the survey in Minas Gerais. The results for Sao Paulo show that the SDC affected 109 counties and 436,621 trees. IMA has not yet tabulated the results for Minas Gerais, but Fundecitrus estimates that approximately 1.5 million trees were affected in Minas Gerais, for a two state total of 2 million trees. Fundecitrus reports that the 2004 SDC survey is expected to start in October.

Cost of Production

The table below shows production costs for productive orange groves in the northern and southern regions of the state of Sao Paulo, as reported by the Institute of Agricultural Economics (IEA). The cost of production takes into account pesticide sprays for weeds, blossoms and leaves, in addition to rust, citrus leprosies, fruit fly and ant controls. Note that the cost structure did not include the Fundecitrus fee paid by producers. The fee increased from R\$ 0.07 to 0.09/box for the MY 2004/05 on. Hauling costs from the farm to the processing plant were also not included in the study. Please refer to BR0025 (2000) for the previous cost of production spreadsheet provided by IEA.

The lower production costs in the southern region (R\$6.01/box) compared to the north of the state (R\$ 6.49/box) are related to soil and weather conditions which require less crop management, especially, pesticides in the productive groves. Note that lower depreciation costs of the grove also indicate that the cost development is lower in the south relative to the northern region.

Estimated Production Costs for the 2003/04 crop (MY 2004/05, R\$/ha, R\$/Box, May 2004)

Orange for processing, Productive Grove (7th to 15th years), 300 trees/ha, 600bx/ha 1/

Item	Northern region		Southern region	
	R\$/ha	R\$/box	R\$/ha	R\$/box
Labor	76.67	0.13	74.14	0.12
Machinery Operation	539.40	0.90	511.16	0.85
Fertilizer and Lime	650.90	1.08	650.90	1.08
Pesticide	1,080.30	1.80	886.27	1.48
Other Materials	3.42	0.01	3.42	0.01
Harvest	780.00	1.30	780.00	1.30
Effective Operational Cost (EOC)	3,130.69	5.22	2,905.89	4.84
Depreciation (Grove) 2/	413.88	0.69	376.66	0.63
Financial Costs 3/	136.97	0.23	127.13	0.21
Depreciation (Machinery)	159.89	0.27	150.95	0.25
Social Costs 4/	49.83	0.08	48.19	0.08
Total Operational Cost (TOC)	3,891.26	6.49	3,608.82	6.01

Source: Guilhard, AA; Maia, ML, Negri, JD based on IEA research data.

1/ Average production for a 7-19 year grove, 2/ Cost to develop the grove divided by the 15 years.

3/ Interest rate = 8.75 % applied over 50 % of the effective operational cost (EOC)

4/ Applied over labor and tractor driver. Note that harvest cost already includes social costs.

Producers' Prices

The Orange Index price series released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) for both the fresh domestic market and product delivered to orange juice processing plants in the state of Sao Paulo follows. Both series track orange prices since September 1994. Prices for the fresh market are for fruit on the tree. Note the sharp decline in prices as of December 2003, as a consequence of the expected higher upcoming crop in Brazil.

As reported by industry, a large part of the orange contracts for fruit for processing expired after the end of the MY 2003/04 crop. The industry has showed little interest in renewing the contracts for MY 2004/05 and forward, creating considerable uncertainty for orange growers. Post contacts report that few contracts were renegotiated between December 2003 and April 2004 with prices varying from US\$ 2.50-3.30/box. Since then the market has stopped negotiating contracts.

The players for fruit to the domestic market do not represent competition to the processing industry, thus do not pose a threat to it. The expected higher availability of the fruit, with a relative balance between supply and demand has slowed the pace to renegotiate new contracts. It is reported that approximately one third of the fruit for processing has not been contracted yet. This volume represents about 60 percent of the orange producers of the commercial citrus belt in Sao Paulo and Minas Gerais.

Orange Prices paid by Sao Paulo industry - spot market (Pera, Natal, Valencia varieties, average prices in Reais -

Month	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Jan	--	3.03	1.44	2.62	3.24	3.91	1.47	3.98	8.71	10.07	9.87
Fev	--	2.68	1.29	2.58	3.54	3.89	1.46	5.11	7.19	7.58	7.05
Mar	--	2.60	1.32	2.50	3.80	3.96	1.61	5.46	6.00	6.25	5.30
Abr	--	2.36	1.41	2.50	3.80	--	1.80	5.50	5.80	5.67	4.92
Mai	--	2.19	1.47	2.50	3.94	--	1.70	5.50	5.04	5.78	5.04
Jun	--	1.97	1.53	2.50	4.30	--	1.68	--	5.55	7.30	--
Jul	--	1.66	1.81	2.50	4.76	2.72	1.66	6.97	7.75	7.86	--
Ago	--	1.56	1.95	2.50	5.21	2.47	1.58	7.16	8.25	8.76	--
Set	3.04	1.59	2.11	2.49	5.25	2.06	1.66	7.44	8.49	9.25	--
Out	2.92	1.54	2.48	2.59	5.19	1.87	2.01	8.08	10.86	9.72	--
Nov	3.06	1.61	2.46	2.83	5.20	1.65	2.48	8.97	11.21	10.21	--
Dez	3.16	1.50	2.50	3.08	4.78	1.52	2.94	9.27	10.98	9.98	--

Source: CEPEA/ESALQ

Orange Prices received by Producers in the Domestic Market (Pera Variety, average prices in Reais - R\$, 40.8 kg

Month	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Jan	--	4.47	1.74	3.65	4.44	6.70	2.17	4.15	11.29	13.48	11.29
Fev	--	3.98	1.61	5.29	5.50	8.14	2.61	6.33	10.62	13.76	10.44
Mar	--	4.84	2.03	5.69	5.67	8.13	4.54	9.97	10.50	15.69	9.43
Abr	--	5.48	2.70	4.49	4.32	6.15	4.79	9.82	10.07	14.16	8.96
Mai	--	3.73	2.42	3.06	3.48	4.33	3.41	8.51	8.86	11.04	8.68
Jun	--	2.67	2.05	2.44	3.72	3.52	2.22	7.88	8.07	9.13	--
Jul	--	2.53	2.09	2.38	4.31	2.85	2.18	8.31	7.92	8.63	--
Ago	--	2.18	2.25	2.31	5.06	2.25	2.50	9.27	8.45	9.12	--
Set	3.52	2.18	2.48	2.41	5.24	1.81	2.72	10.34	8.96	10.25	--
Out	4.41	1.96	2.76	2.80	5.41	1.42	2.75	11.30	10.91	12.16	--
Nov	7.23	1.93	2.82	3.45	5.55	1.29	3.43	11.69	12.62	12.70	--
Dez	5.33	1.66	2.82	4.07	5.87	1.52	3.79	11.62	12.79	12.03	--

Source: CEPEA/ESALQ

Consumption

The total Brazilian orange consumption forecast for MY 2004/05 has been revised upward to 128 MBx, an 8 percent increase compared to the revised estimate for MY 2003/04 (118.3 Mbx), due to higher expected availability of fruit for the upcoming crop. Note that these figures include actual domestic consumption plus losses from natural drop, harvesting, transportation and packing. Fruit delivered to processors for "not from concentrate (NFC)" orange production for the domestic market is also included in these figures. Domestic consumption estimates are taken as the difference between production estimates and the volume of oranges delivered to processors for FCOJ and NFC produced for exports.

Trade

Total fresh orange exports for MY 2004/05 are projected at 2 Mbx, up 0.3 Mbx from the revised estimate for MY 2003/04 (1.7 Mbx), based on updated information from the Brazilian Secretariat of Foreign Trade (SECEX). The table below shows official fresh orange exports (NCM 080510.00) by country of destination, for MY 2002/03 and 2003/04, according to SECEX.

Fresh Orange Exports by Country of Destination (MT & US\$ 1,000 FOB)

Destination	MY 2002/2003 1/		MY 2002/03 2/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
Netherlands	15,325	3,221	15,089	3,172	26,185	5,142
Spain	9,614	2,084	9,534	2,063	22,988	4,897
United Kingdom	6,867	1,009	6,863	987	11,065	1,835
U.A.E.	4,088	860	3,963	839	3,919	733
Portugal	2,398	528	2,398	528	928	190
Paraguay	0	0	0	0	725	51
Kuwait	1,070	227	1,070	227	701	127
Singapore	27	5	0	0	273	51
Belgium	0	0	0	0	232	37
Aruba	0	0	0	0	213	25
Others	923	213	531	152	568	125
Total	40,312	8,146	39,448	7,968	67,797	13,212

Source : Brazilian Department of Foreign Trade (SECEX), NCM 0805.10.00

1/July - June, 2/July - April

FCOJ (FROZEN CONCENTRATED ORANGE JUICE)

PS&D Table

PSD Table

Country	Brazil		65		Degrees Brix		
Commodity	Orange Juice				(MT)		
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official	Estimate [A]	Official	Estimate [A]	Official	Estimate [New]	
Market Year Begin	07/2002		07/2003		07/2004		MM/YYYY
Deliv. To Processors	13423000	13423000	9792000	10486000	12730000	13219000	(MT)
Beginning Stocks	151000	151000	240000	240000	92000	62000	(MT)
Production	1354000	1354000	1005000	1092000	1260000	1322000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	1505000	1505000	1245000	1332000	1352000	1384000	(MT)
Exports	1250000	1250000	1135000	1252000	1195000	1252000	(MT)
Domestic Consumption	15000	15000	18000	18000	18000	18000	(MT)
Ending Stocks	240000	240000	92000	62000	139000	114000	(MT)
TOTAL DISTRIBUTION	1505000	1505000	1245000	1332000	1352000	1384000	(MT)

Note: Delivered to processors include oranges for NFC production not converted to FCOJ equivalent.

Production

PS&D Tables

The following tables provide revised data for Sao Paulo and total Brazilian frozen concentrated orange juice (FCOJ) production, supply and demand (PS&D) for marketing years (MY) 2002/03, 2003/04 and MY 2004/05 (July-June).

Sao Paulo: FCOJ PS&D (Jul-Jun)

(Million 40.8 kg boxes, TMT, 65 degrees brix)

Item/Marketing Year	2002/03	2003/04	2004/05
(Bloom/Harvest)	(01/02)	(02/03)	(02/03)
Delivered to Processors	305.0	230.0	295.0
Beginning Stocks	151.0	240.0	62.0
Production	1,309.0	1,040.0	1,270.0
Total Supply	1,460.0	1,280.0	1,332.0
Exports	1,205.0	1,200.0	1,200.0
Domestic Consumption	15.0	18.0	18.0
Ending Stocks	240.0	62.0	114.0
Total Distribution	1,460.0	1,280.0	1,332.0

Brazil: FCOJ PS&D (Jul-Jun)

(Million 40.8 kg boxes, TMT, 65 degrees brix)

Item/Marketing Year	2002/03	2003/04	2004/05
(Bloom/Harvest)	(01/02)	(02/03)	(02/03)
Delivered to Processors	315.0	243.0	308.0
Sao Paulo	305.0	230.0	295.0
Others	10.0	13.0	13.0
Beginning Stocks *	151.0	240.0	62.0
Total Production	1,354.0	1,092.0	1,322.0
Sao Paulo	1,309.0	1,040.0	1,270.0
Others	45.0	52.0	52.0
Total Supply	1,505.0	1,332.0	1,384.0
Exports	1,250.0	1,252.0	1,252.0
Sao Paulo	1,205.0	1,200.0	1,200.0
Others	45.0	52.0	52.0
Domestic Consumption	15.0	18.0	18.0
Ending Stocks	240.0	62.0	114.0
Total Distribution	1,505.0	1,332.0	1,384.0

* Sao Paulo stocks.

General

ATO/Sao Paulo forecasts total Brazilian FCOJ production for MY 2004/05 (July-June) at 1.322 million metric ton (mmt), 65 Brix, up 230,000 mt compared to the revised MY 2003/04 estimate (1.092 mmt), due to the expected higher availability of fruits for crushing. Total oranges for FCOJ processing are estimated at 308 MBx, up 65 MBx relative to the previous MY. The Sao Paulo industry should account for 295 MBx and the MY 2004/05 FCOJ production is estimated at 1.27 mmt, 65 Brix. Other producing states should deliver 13 MBx for processing (52,000 mt of FCOJ for MY 2004/05). ATO/Sao Paulo estimates oranges for FCOJ production in the state of Sao Paulo for MY 2003/04 at 230 MBx (1.04 mmt, 65 Brix).

Note that during the past couple of seasons, there has been a steady flow of fruits from the North-Northeastern producing states (Sergipe, Bahia and Para) to the Sao Paulo processing plants and fresh market, stimulated by the attractive prices. Thus, a small part of the MY 2003/04 processed fruit includes product from the aforementioned regions.

Some processing plants began operations in June at a slow pace. The crushing pace should increase the pace in mid-July, as a result of the delay in the blossoming during the second semester of 2003. According to post contacts, the crushing season should be more uniform and concentrated compared to the previous year as a result of the one major blossoming in November 2003. The peak of production is expected to September-October and the end of the crushing is expected in January.

Consumption

ATO/Sao Paulo projection for FCOJ domestic consumption for MY 2004/05 remains unchanged at 18,000 mt, 65 Brix, similar to the revised number for MY 2003/04 (18,000 mt), according to updated information from post contacts.

Trade

The Post forecast for total Brazilian FCOJ exports for MY 2004/05 has been revised upward to 1.252 mmt, 65 Brix, similar to the revised estimate for MY 2003/04 (1.252 mmt), based on updated information from post contacts and the expected higher availability of fruit for processing. The Sao Paulo industry should contribute 1.2 mmt, 65 Brix, whereas the remainder should come from other FCOJ producing states. According to post contacts, in spite of the higher availability of fruits and lower FCOJ demand in the U.S., Eastern Europe, Russia and Asian markets such as China and India should guarantee a stable demand for MY 2004/05.

FCOJ exports for MY 2003/04 were revised upward to 1.252 mmt, 65 Brix, up 117,000 mt from the previous estimate, based on updated information from the Brazilian Secretariat of Foreign Trade (SECEX) and post contacts. As reported by trade sources, current FCOJ export FOB prices to Europe are reported at US\$ 700 - 800 per metric ton (bulk).

The tables below show official FCOJ exports (NCM 2009.11.00 and 2009.19.00) by country of destination for MY 2002/03 and 2003/04, according to SECEX. Note that the "Others" category includes both FCOJ and Not From Concentrate (NFC) exports. Post considers the average monthly price by country of destination for the "Others" category as a criterion to distinguish between FCOJ and NFC exports. Note that following the aforementioned criteria, approximately 250,000 and 11,000 mt of orange juice exported under the "Others" category for MY 2002/03 refer to FCOJ and NFC, respectively.

Frozen Concentrated/Non-Concentrated Orange Juice Exports (MT and US\$ 1,000 FOB)

	MY 2002/2003 1/		MY 2002/03 2/		MY 2003/04 2/	
Destination	Quantity	Value	Quantity	Value	Quantity	Value
Belgium	400,205	334,678	353,280	297,745	372,065	302,054
Netherlands	190,411	175,681	171,586	158,754	192,593	175,078
United States	219,048	185,875	200,053	169,768	144,935	110,362
Japan	74,167	72,928	62,228	62,279	63,059	59,831
China	14,393	12,691	13,107	11,548	31,149	26,382
South Korea	31,708	28,041	28,313	25,297	20,456	18,277
Switzerland	7,161	7,082	6,495	6,433	16,878	14,940
Australia	25,238	22,370	21,666	19,515	11,416	9,423
Puerto Rico	9,360	10,018	7,784	7,994	7,097	8,652
Israel	4,059	3,469	3,985	3,399	7,741	6,564
Others	23,101	21,550	18,827	17,833	20,373	18,233
Total	998,851	874,383	887,325	780,565	887,761	749,794

Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.11.00
1/July-June, 2/July-April

Brazilian Orange Juice Exports, Others (MT and US\$ 1,000 FOB)

Destination	MY 2002/2003 1/		MY 2002/03 2/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
Netherlands	221,138	197,250	181,885	162,256	156,283	135,247
United Kingdom	24,616	22,381	16,442	15,025	34,547	30,530
United States	9,667	2,177	9,662	2,174	9,687	2,183
Belgium	1,056	335	1,031	325	8,674	5,108
Israel	364	262	309	223	391	273
Germany	43	12	43	12	191	170
Mozambique	1	1	0	0	100	48
Panama	74	65	74	65	41	35
Angola	143	62	141	62	28	15
Chile	90	71	90	71	22	7
Others	3,489	3,095	3,434	3,068	69	49
Total	260,681	225,711	213,112	183,280	210,034	173,663

Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.19.00

1/July-June , 2/July - April

Stocks

ATO/Sao Paulo ending stocks for MY 2004/05 are projected at 114,000 mt, 65 Brix, up 52,000 mt from revised estimate for MY 2003/04.

NFC (NOT FROM CONCENTRATE)

There is no official estimate for NFC supply and demand in Brazil. ATO/Sao Paulo forecasts that approximately 16 Mbx will be crushed for MY 2004/05 NFC exports, up 2 Mbx from revised estimate MY 2003/04 (14 Mbx). Note that current PS&D tables consider NFC production for exports as a different entry (see Tables in PS&D section). Post forecasts that 350,000 mt should be exported for MY 2003/04, up 95,000 mt from the MY 2002/03 estimate (255,000 mt, 11.8 Brix).

The following table shows "Orange Juice, Not Concentrated and Brix under 20" (NCM 2009.12.00) exports by country of destination for MY 2002/03 and 2003/04, according to SECEX. Note that part of the NFC exports is included in the "Others" category (see FCOJ Trade section).

Brazilian Orange Juice Exports, Not Frozen and Brix under 20 (MT and US\$ 1,000 FOB)

Destination	MY 2002/2003 1/		MY 2002/03 2/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
Belgium	135,336	30,451	120,315	27,071	160,315	36,223
United States	42,789	9,121	40,389	8,641	71,718	15,577
Netherlands	23,622	7,803	17,040	5,962	39,430	10,788
Switzerland	0	0	0	0	1,000	250
Australia	0	0	0	0	497	199
Chile	322	171	280	149	319	133
Japan	0	0	0	0	18	7
Angola	6	3	0	0	18	8
New Zealand	1	1	1	1	17	8
Antilhas	0	0	0	0	2	1
Others	46	25	44	24	1	1
Total	202,122	47,573	178,070	41,847	273,335	63,195

Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.12.00

1/July - June, 2/July - April

Policy

On May 28, Brazil finally reached an agreement regarding the equalizing excise tax imposed by the state of Florida upon the processing of imported citrus products in effect since 1970 (US\$ 40/ton). The excise tax was charged to equalize the domestic taxes paid by the Floridian producers. The money collected was used by the Florida Department of Citrus to fund marketing campaigns to promote Florida juice. It is estimated that Brazilian companies paid approximately US\$ 4 million per year in taxes.

Brazil made a formal complaint at the World Trade Organization against the tax in August 2002, but a panel was never formed since both countries set out to negotiate an agreement. The two countries will ask the WTO to retract the complaint formed in 2002 to handle the tax dispute, after the U.S. state amended a statute to reduce the compulsory equalizing excise tax by two thirds to about \$13 per ton from \$40. The resolution is based on an amendment that Florida Governor Jeb Bush signed into law on May 12, 2004. The remaining tax will not be used to promote the Florida juice.

Political analysts in Brazil consider the agreement as a victory for Brazil because it shows that the existence of WTO mechanisms can help developing countries in their challenges to certain agricultural trade policies employed by industrialized countries. The tax reduction is unlikely to benefit Brazil because U.S. demand is falling due to a shift in consumption, in part attributable to consumer concerns about weight.

On April 29, 2004, the European Commission reopened the market for fresh citrus imported from Brazil and Argentina, based on a decision that sets more rigorous phytosanitary conditions for imports from those countries. The Spanish Ministry of Agriculture banned fresh citrus imports from Argentina and Brazil on November 12, 2003, after detecting the presence of bacteria and fungus in some shipments. The decision requires both countries to conduct official analysis of the harvested fruit to show that the product is disease free (citrus

canker, black spot, etc). The decision designates specific inspection entry ports in Spain to receive and inspect the product.

In April 27, the Minister of Agriculture announced the creation of the Council for the Citrus Productive Chain (Camara Setorial da Cadeia Produtiva da Citrucultura) including all sectors involved in the chain from the production of the raw material to the market of final products, in order to discuss several aspects of the cycle and build sustainable management for the sector. The growers claim that an official and impartial crop forecast survey is a key issue to be discussed by the Council to avoid market distortions.

Last April, the mayors of major citrus growing counties formed the State of Sao Paulo Citrus Counties Association (AMCISP) in order to create a political base to support the citrus grower and to discuss common policies to support the citrus sector. Under AMCISP's agenda are: the development of small regional growers cooperatives and packing houses, and creating an incentive for the domestic consumption at local schools and the promotion of nutritional aspects of the orange juice.

In September 2003, Associtrus, a traditional growers association, which was inoperative for the past 6-7 years, was re-established. Associtrus intends to be the growers voice in the citrus industry and has already requested several meetings with Abecitrus, the Minister of Agriculture, and the State of Sao Paulo Secretariat of Agriculture, among others.

Marketing

Last April, the Program of Studies of the Agribusiness System (PENSA) of the University of Sao Paulo (USP), concluded the new citrus agribusiness system mapping supported by Fundecitrus. The study mapped and quantified all players in the citrus chain, including input companies, agricultural machinery, citrus producers, packaging, nursery owners, citrus juice plants, fresh fruit suppliers, transportation and logistics.

The study updates a similar survey conducted in 2000. However, data comparison between both mappings should take into account the context, since the studies were conducted in two different crops in terms of size, in addition to the strong devaluation of the local currency, the Real, against the U.S. Dollar.

As reported by the 2004 mapping, the citrus system represents 1.87% of total Brazilian exports and 4.47% of the agribusiness product exports. FCOJ is the major citrus product exported representing 72% of total exports. The state of Sao Paulo exports 95% of the country's orange juice production. Oranges represents 49% of all Brazilian fruit production. According to PENSA, the citrus chain generates 400,000 direct jobs.

In 2003, this productive system contributed US\$ 139.41 million to the federal treasury and paid over US\$100 million in freight (from raw materials to wholesale) and US\$14 million in highway tolls. The irrigation, foliar fertilization and nursery tree production sectors are more dependent on orange production than other crops.

The survey points out that the fresh fruit domestic and international markets have potential for growth. The demand for ready-to-drink juices has been increasing during recent years at an average of 40% a year. Brazil exports less than 1% of its fresh fruit production.

Exchange Rate

Exchange Rate (R\$/US\$1.00 - official rate, last day of period)

Month	2000	2001	2002	2003	2004
January	1.80	1.97	2.42	3.53	2.94
February	1.77	2.04	2.35	3.56	2.91
March	1.75	2.16	2.32	3.35	2.91
April	1.81	2.22	2.36	2.89	2.94
May	1.82	2.36	2.52	2.97	3.13
June	1.80	2.30	2.84	2.87	3.13
July	1.78	2.43	3.43	2.97	--
August	1.82	2.55	3.02	2.97	--
September	1.84	2.67	3.89	2.92	--
October	1.91	2.71	3.65	2.86	--
November	1.98	2.53	3.59	2.95	--
December	1.96	2.32	3.53	2.89	--

Source: Gazeta Mercantil. Note: June 2004 refers to June 18.